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Natural Resource Center Development Corporation
c/o Michael D. Scott
Scott2 Law, LLC
332 ½ West Sackett
Salida, Colorado 81201

Via email to: michaeldscottlaw@gmail.com

RE: Salida Natural Resources Center Development Corporation (“SNRCDC”);

Development Agreement between the SNRCDC and the City of Salida dated July 7, 2010 (as amended, the “Development Agreement”)

Property Management and Financial Services Agreement between the SNRCDC and the City of Salida dated March 21, 2013 (the “Maintenance Agreement”).

Dear Mike:

I continue to represent the City of Salida (the “City”) with respect to the Salida Natural Resource Center Subdivision, the Vandaveer Ranch property, and any Projects associated with the SNRCDC (collectively, “Vandaveer”).

This correspondence follows the City's indemnity demands to the SNRCDC pursuant to the Development Agreement dated June 10, 2016 and December 5, 2016. Now that the City has completed its divestiture of the SNRCDC and has settled its disputes with Nancy Dominick ("Ms. Dominick"), the City is prepared to supplement and finalize its indemnity demand to the SNRCDC pursuant to the Development Agreement.

Terms not otherwise defined in this demand shall have the meanings set forth in the Development Agreement.

I. The SNRCDC's Obligations to the City

As I have explained, the SNRCDC owes the City and its citizens a bunch of money. As previously noted, the Development Agreement provides the City with indemnity rights from the SNRCDC for any municipal costs associated with Vandaveer:

The Corporation shall indemnify and hold harmless the City, its officers, agents and employees and members of its City Council with respect to any liability or damages arising under actions or claims against the City as a result of the operation of the Projects by the Corporation.

(Development Agreement §2.) Moreover, the Maintenance Agreement provides the City with reimbursement rights from the SNRCDC for "all operational costs and expenses" associated with the USFS building on Lot 2 at Vandaveer. (Maintenance Agreement §1(d).)

The SNRCDC – in whatever entity organization form it has maintained – is not entitled to City contributions or subsidies apart from those that were specifically provided for in the Maintenance Agreement, and the City is forbidden from making contributions to corporate entities like the SNRCDC. In short, the SNRCDC is obligated to pay for any costs or liabilities that the City has fronted or absorbed as a result of Vandaveer or otherwise due to SNRCDC actions and operations.

The SNRCDC now needs to free up sufficient assets to satisfy its obligations to the City, and to proceed without the burdens associated with reserved municipal interests.

II. The Scope of the City's Final Demand to the SNRCDC

The City put the SNRCDC on notice by June 10, 2016 and again on December 5, 2016 that the SNRCDC would have to repay the City for any costs or exposure incurred by the City related to Vandaveer since July 7, 2010, *i.e.*, the date of that the SNRCDC and the City entered into the Development Agreement. These amounts continue to include but are not limited to costs associated with any SNRCDC entity organization, financing mechanism, legal compliance, risk management, litigation, divestiture or transition issues.

The City's final indemnity demand to the SNRCDC includes amounts actually due to the City as a result of the SNRCDC's operation of Vandaveer pursuant to the Development Agreement. In addition, the demand implicates costs fronted or absorbed by the City pursuant to the Maintenance Agreement. Either way, the City's final indemnity demand is limited to tabulated costs, the value of City resources, and the value of City staff time.

With respect to Vandaveer alone, however, the City estimated in its December 5, 2016 indemnity demand that its former City Administrator, former Finance Director, former Public Works Director, and former Community Development Director provided the SNRCDC with approximately \$270,000.00 worth of free professional services that the City and its citizens ultimately paid for. As noted in the December 5, 2016 demand correspondence, the City is willing to limit those claims to amounts outside of the Maintenance Agreement term or scope and would accept \$160,000.00 to resolve its indemnity demand for in kind municipal services and subsidies provided to the SNRCDC, *i.e.*, an amount that significantly undervalues the City’s historic contributions to the SNRCDC.

Not incidentally, this amount also does not account for the value of City staff or other resources expended on the Dominick matters. While the City reserves its rights in that regard, to date the City has not attempted to ascertain the amount of in kind municipal services and subsidies expended on the Dominick matters. As I previously explained to you, the City was only at odds with Ms. Dominick due to the SNRCDC’s goal of eliminating Ms. Dominick’s Tennessee Ditch interest to maximize development opportunities at Vandaveer.

The City has incurred significant legal and engineering costs and fees with respect to Vandaveer that are subject to reimbursement by the SNRCDC as well. In particular, the City has incurred no less than \$519,194.94 in legal and engineering costs and fees with respect to Vandaveer over the past eight years. Moreover, the City believes that it is entitled to \$10,000.00 from the SNRCDC as compensation for any vested solar panel equipment value.

Further, the City has incurred significant costs and fees to manage the Dominick matters on behalf of the SNRCDC. Indeed, the City has incurred legal and engineering expenses with respect to the SNRCDC and Ms. Dominick over the past eight years including amounts expended to settle its Vandaveer related exposure to Ms. Dominick. As you know, the City was able to settle with Ms. Dominick in short order after completing its divestiture from the SNRCDC and focusing purely on municipal interests. All told, the City expended \$684,586.07 protecting the SNRCDC with respect to Ms. Dominick over the relevant eight-year period.

In sum, the SNRCDC has outstanding indemnity obligations to the City pursuant to the Development Agreement that was in effect during the relevant timeframe. For the convenience of the SNRCDC, the City has prepared a summary of the components of its indemnity demand:

In Kind Services and Subsidies	\$160,000.00
Legal and Engineering Costs	\$519,194.93
Vested Solar Panel Equipment Value	\$10,000.00
Dominick Legal and Engineering Costs	\$684,586.07
TOTAL	\$1,373,781.00

As you can see, the SNRCDC owes the City no less than \$1,373,781.00 in reimbursements for the City’s expenditures over the past eight years related to the SNRCDC and Vandaveer. This amount does not include the City’s cost of money, the municipal transactional or opportunity costs otherwise associated with the tender of municipal advances and/or subsidies to the SNRCDC, or any other items that are not specifically addressed in this indemnity demand.

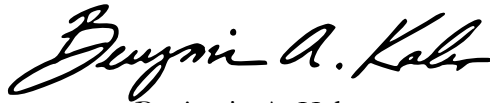
III. Conclusion

The City still requires assurances from the SNRCDC that it will reimburse the City for fronted or absorbed costs. This is the City's third request for confirmation that the SNRCDC will honor its indemnity obligations as outlined in the operative Development Agreement. The City now needs to be reimbursed by the SNRCDC for an amount no less than \$1,373,781.00 or otherwise receive assurances that the City will be repaid by the SNRCDC.

Absent an acceptable solution, however, the City reserves all of its rights with respect to Ordinance 2011-14 and the Development Agreement and the SNRCDC should put any potential buyers of Vandaveer on notice of the City's reserved rights and indemnity demands.

In any case, let's touch base soon with respect to the City's final demand to the SNRCDC and any other open SNRCDC divestiture matters including the solar panels, outlot and corporate records.

Sincerely,

A handwritten signature in black ink that reads "Benjamin A. Kahn". The signature is written in a cursive, flowing style.

Benjamin A. Kahn

cc: Jim LiVecchi, City of Salida Mayor